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January 28, 1998

To: Mark Young

Subject: Salem Cigar

Dear Mark,

The following is what we know as far as Salem Cigar:

Product: Menthol Cigar produced by McDonald Canada  
Corona size, 0.40% Menthol

Packing: Box: 25 individual Cigars in Tubes  
Case: 20 Boxes

Production: 100,000 Cigars  
Equal to 500 Cases

Cost: Unknown

Pricing: Direct Accounts - Unknown terms and dating.  
Retailers - Unknown  
Consumer - Unknown (Target between \$3.00 - \$4.00)

Anticipated Margins : Direct Accounts 12% (Off invoice)  
Retail 40%

DTS: Early to Late March

Target: Menthol Smokers 21-29

Retail Program: Retail locations within N.Y. Metro test area to be sold by Direct Accounts, utilizing payments for retailers as well as for Jobber salesman. Suggested payments \$3.00 to retailers for display payment, \$2.50 to Jobber Salesman, \$2.00 to Direct Account, ( this would come out of the off invoice amount given to direct accounts).

Retail Store Target : 1,000 stores

Display: 1,000 available, holds 15 Cigars 1st priority - a prime self service location, 2nd priority - Close to Newport, Kool or Salem display, 3rd priority - attached to system III display.

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Next Steps:

- Nail down pricing/ timing
- Provide sell sheets for RJR personnel
- Provide sell sheet template for Direct Accounts
- Meet with N.Y. Metro KAM's and AM's, along with any other RJR personnel who would be involved in selling the Salem Cigars

Mark, as more details become available I will call you. I look forward to seeing you prior to us rolling out this test market.

Sincerely,

*Lori*

L.M. O'Connor

cc: M. LaBrecque

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